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# TOO GOOD TO BE TRUE....

A Column on Consumer Issues

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## TAX SCAMS

Only two things about life are certain – death and taxes. There are many legitimate ways to reduce your taxable income, but the complicated and lengthy tax laws often confuse consumers. Scam artists have taken advantage of the confusion to come up with several creative tax schemes and myths designed to take your money.

Following are the top tax myths and scams reported by the IRS:

**Offshore Transactions.** Some people use offshore transactions to avoid paying United States income tax. Use of an offshore credit card, trust or other arrangement to hide or underreport income or to claim false deductions on a federal tax return is illegal. Through April 15, the IRS is offering people with improper offshore financial arrangements a chance to make things right. Eligible taxpayers who step forward will not face civil fraud and information return penalties. A taxpayer involved in these schemes who does not come forward now, however, will be subject to payment of taxes, interest, penalties and potential criminal prosecution. People interested in participating in the program, called the Offshore Voluntary Compliance Initiative, can contact the IRS by calling 215-516-3537 (not toll-free).

**Identity Theft.** Identity thieves use someone's personal data to steal his or her financial accounts, run up charges on the victim's existing credit cards, apply for new loans, credit cards, services or benefits in the victim's name and even file fraudulent tax returns. The IRS encourages taxpayers to carefully select a reputable tax professional.

**Phony Tax Payment Checks.** In this scheme, con artists sell fictitious financial instruments that look like checks to pay a tax liability, mortgage and other debts. The con artists may also counsel their clients to use a phony check to overpay their taxes so they can receive a refund from the IRS for the overpayment. The false checks, called sight drafts, are worthless and have no financial value. It is illegal to use these sight drafts to pay a tax liability or other debts.

**Native Americans and African-Americans Get a Special Tax Refund.** Thousands of people have been misled by offers to file for tax credits or refunds related to reparations for oppressive treatment and slavery. There is no such provision in the tax law. Some unscrupulous promoters have encouraged clients to pay them to prepare a claim for this refund. But the claims are a waste of money. Promoters of reparations tax schemes have been convicted and imprisoned. And taxpayers could face a \$500 penalty for filing such claims if they do not withdraw the claim.

**No Taxes Withheld From Wages.** Illegal schemes are being promoted that instruct employers not to withhold federal income tax or employment taxes from wages paid to their employees. These schemes are based on an incorrect interpretation of tax law and have been refuted in court. A recent flurry of court actions has been taken against promoters of these schemes. Taxpayers who have concerns about their employer and employment taxes can get help by calling the IRS at 1-800-829-1040.

**Improper Home-Based Business.** This scheme purports to offer tax “relief” but in reality is illegal tax avoidance. The promoters of this scheme claim that individual taxpayers can deduct most, or all, of their personal expenses as business expenses by setting up a bogus home-based business. But the tax code firmly establishes that a clear business purpose and profit motive must exist in order to generate and claim allowable business expenses.

If you have any questions about tax offers, check with a reputable tax professional for advice or contact the Tax Commissioner’s office at 1-800-638-2901.

Next week we will review some more of the IRS' top tax scams

*The Attorney General’s Consumer Protection Division investigates allegations of fraud in the marketplace. Investigators also mediate individual complaints against businesses. If you have a consumer problem or question, call the Consumer Protection Division at 328-3404, toll-free at 1-800-472-2600, or 1-800-366-6888 (w/TTY). This article and other consumer information is located on our website at [www.ag.state.nd.us](http://www.ag.state.nd.us).*

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